

City of Detroit

CITY COUNCIL

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TO: Derrick Miller, Chief Information Officer
Information Technology Services

FROM: Irvin Corley, Jr., Fiscal Analysis Director

DATE: April 19, 2007

RE: 2007-2008 Budget Analysis

24.

Attached is our budget analysis regarding your department's budget for the upcoming 2007-2008 Fiscal Year.

Please be prepared to respond to the issues/questions raised in our analysis during your scheduled hearing. We would then appreciate a written response to the issues/questions at your earliest convenience subsequent to your budget hearing. Please forward a copy of your responses to the Councilmembers and the City Clerk's Office.

Please contact us if you have any questions regarding our budget analysis.

Thank you for your cooperation in this matter.

IC:ss

Attachment

cc: Councilmembers
Council Divisions
Auditor General's Office
Roger Short, Chief Financial Officer
Pamela Scales, Budget Department Director
Ervin Stewart, Budget Department Team Leader
Kandia Milton, Mayor's Office

Information Technology Services (31)

FY 2007-08 Budget Analysis by the Fiscal Analysis Division

Summary

The Information Technology Services Department (ITS) is a General Fund agency. The recommended 2007-08 budget is \$23.16 million, which is \$2.64 million (12.89%) more than the current year's budget. The department's net tax cost recommended for next year is \$21.84 million, \$2.78 million more than the current fiscal year's net tax cost.

2006-07 Surplus/(Deficit)

The Administration anticipates an overall surplus of \$1.2 million due primarily to a \$1.7 million appropriation surplus, offset by a revenue deficit of \$500,000.

Overtime

The overtime budget for the current fiscal year is \$346,126. Through March 31, 2007, the department has spent \$334,738 (96.7%) of its current overtime budget.

The recommended overtime budget for 2007-08 is, \$216,406, a \$129,720 (37.48%) a decrease from the current fiscal year.

Personnel and Turnover Savings

The Mayor recommends a net reduction of 8 positions (6.8%), which includes the transferring of 8 positions from the Mailroom and Delivery Section to the General Services Department.

The 2007-08 proposed budget does not require any layoffs in the ITS Department.

The Mayor recommends \$386,235 turnover savings in 2007-08, based on 6 months of savings on ten (10) vacant positions in Appropriation 00024 Central Data Processing.

Following is information by appropriation comparing current FY 2005-06 filled positions, and FY 2007-08 recommended positions, as of March 31, 2007.

<u>Appropriation/Program</u>	<u>Budgeted Positions FY 2006-07</u>	<u>Filled Positions 3/31/2007</u>	<u>Mayor's Budget Positions FY 2007-08</u>	<u>Over/(Under) Actual to 06/07 Budget</u>	<u>Mayor's Recommended Turnover</u>
Information & Tech. Services (31):					
310010 Ofc. Of Info. Tech. Svcs.	3	3	3	0	\$ -
310020 Contracts & Administration	4	2	6	(2)	\$ -
310035 Enterprise Application Support Team	3	3	5	0	\$ -
310050 Client Support Services	2	2	0	0	\$ -
310060 Personal Computer Services	2	2	0	0	\$ -
310070 System Support & Mgmt.	4	4	9	0	\$ -
310080 Data Network Services	5	4	0	(1)	\$ -
310090 Client Server-New Applications	0	0	5	0	\$ -

310100 Non-Financial Applications	5	5	23	0	\$	-
310110 Financial Applications	0	0	0	0	\$	-
310130 Operations	18	14	22	(4)	\$	-
310140 Input/Output Services	0	0	0	0	\$	-
310170 Water Board Project	3	2	0	(1)	\$	-
310230 Planning & Development	0	0	0	0	\$	-
310240 Building & Safety	1	1	0	0	\$	-
310290 Special Projects & Initiatives	1	1	0	0	\$	-
310300 Public Safety	29	32	20	3	\$	-
310310 Geographic Information Svcs.	3	3	0	0	\$	-
310320 Security & Quality Assurance	0	0	0	0	\$	-
310330 Voice Communications	0	1	0	1	\$	-
310335 Publishing Services	10	9	8	(1)	\$	-
310345 Mailroom & Delivery	10	8	0	(2)	\$	-
310355 Dedicated Services	14	8	8	(6)	\$	-
00024 Central Data Processing	117	104	109	(13)	\$	386,235
11827 Publishing Services	0	0	0	0	\$	-
11828 Mailroom & Delivery	0	0	0	0	\$	-
31XXXX Leave of Absence	<u>0</u>	<u>(1)</u>	<u>0</u>	<u>(1)</u>	<u>\$</u>	<u>-</u>
TOTAL	<u>117</u>	<u>103</u>	<u>109</u>	<u>(14)</u>	<u>\$</u>	<u>386,235</u>

Significant Funding by Appropriation

Appro. Program

00024 Central Data Processing This appropriation increases by \$2.64 million, due primarily to the following Cost Center items 0010 - 0355:

Cost Center Description

0010 Office of Information Technology Services This increases by \$803,759 due primarily to a \$787,000 increase in Contractual Services costs.

0020 Contracts & Administration This increases by \$255,753 in 2007-08 FY, due primarily to a \$84,000 increase in salaries and benefits and a \$171,000 increase in Rentals-buildings.

0035 Enterprise Application Support Team This cost center increases by \$108,051 in 2007-08. This is due primarily to the addition of 2 positions and their corresponding salaries and benefits costs \$276,000, offset by elimination of \$168,000 in software maintenance costs.

0050 Client Support Services This Cost Center of \$192,259 is reduced to zero and eliminated from the 2007-08 proposed budget, which appears to be consistent with the department's request.

0060	Personal Computer Services	Cost Center of \$2 million is reduced to zero and eliminated from the 2007-08 proposed budget, which appears to be consistent with the department's request.
0070	System Support & Management	This increases by \$2 million due primarily to a \$583,000 increase in Software Maintenance, a \$542,000 increase in Hardware Maintenance, a \$432,000 increase in Acquisitions-Equipment and the costs associated with the addition of 5 positions and their accompanying salary & benefits costs.
0080	Data Network Services	This Cost Center increases by 197,000 due primarily to \$150,000 increase in Data Com Services, a \$75,000 increase in Hardware Maintenance, a \$50,000 increase Software Maintenance, and a \$75,000 increase in Rentals-Computers. The increases are offset by a \$123,000 decrease in telecommunications, and the elimination of \$32,000 of Retirement of Debt-Principle.
0100	Non-Financial Applications	Cost Center increases by \$1.88 million due primarily to a \$1.2 million increase in salaries & employee benefit costs associated with the addition of 18 positions, \$562,000 increase Contractual Services Tech, a \$63,000 increase in Hardware Maintenance, and a \$28,000 increase Software Maintenance.
0130	Operations	Cost Center increases by \$3.2 million due primarily to a increase of \$1.47 million in hardware maintenance, a \$1.35 million increase in postage and salary & benefits increases associated with the addition of four (4) positions.
0170	Water Board Project	Cost Center of \$189,399 is reduced to zero and eliminated from the 2007-08 proposed budget.
0240	Building & Safety	Cost Center of \$100,984 is reduced to zero and eliminated from the 2007-08 proposed budget, which appears to be consistent with the department's request.
0290	Special Projects & Initiatives	Cost Center of \$84,825 is reduced to zero and eliminated from the 2007-08 proposed budget, which appears to be consistent with the department's request.
0300	Public Safety	Cost Center increases by \$298,000 due primarily to a \$756,000 increase in Repairs and Maintenance - Miscellaneous, a \$248,000 increase in Repairs and Maintenance – Equipment, offset by salary & benefits decreases due to the reduction of 9 positions.

0310	Geographic Information Services	Cost Center of \$440,011 is reduced to zero and eliminated from the 2007-08 proposed budget, which appears to be consistent with the department's request.
0330	Voice Communications	This Cost Center of \$27,049 is restored in the 2007-08 FY budget, solely for Telecommunications costs.
0335	Publishing Services	This Cost Center is reduced by \$671,000 in the 2007-08 FY budget. The reduction is due primarily to a \$427,000 reduction in salaries and benefits associated with the loss of two positions and a \$247,000 reduction in Rentals-office equipment.
0345	Mailroom and Delivery	Cost Center of \$1.8 million is reduced to zero and eliminated from the 2007-08 proposed budget, which appears to be consistent with the department's request. The function of the Mailroom and 8 fte's (full time equivalent employees) are to be transferred to the General Services Department in fiscal 2007-08.
0355	Dedicated Services	Cost Center decreases by \$626,000 due primarily to decreases in salaries & employee benefit costs associated with the loss of 6 positions.

Information Technology Services (31)

Budgeted Professional and Contractual Services by Activity	FY 2006-07 Budget	FY 2007-08 Recommended	Increase (Decrease)
Computer Operations	\$ 1,576,470	\$ 2,032,574	\$ 456,104
Total	\$ 1,576,470	\$ 2,032,574	\$ 456,104

Professional and Contractual Services increase by \$456,104 (28.9%) in 2007-08.

Significant Revenue Changes by Appropriation and Source

<u>Appro.</u>	<u>Program</u>	
00024	Central Data Processing	Revenue decreases by \$143,000 due primarily to the elimination of \$453,000 in Mailroom and delivery revenue due to the transfer of this function and accompanying revenue to General Services, offset by a \$310,000 increase for Miscellaneous Receipts-Postage revenue in 2007-08 FY.

Issues and Questions

Pg. 31-2: Has the completion of the upgrade and consolidation of the GroupWise e-mail system, reducing the number of servers hosting e-mail from 37 to 15 impacted the e-mail system's storage capacity?

The current mainframe platform is due to retire within the next three to five years.

- Will the department run the new system parallel with the mainframe system for a predetermined period of time after system upgrades have been implemented?

According to page D72 of the Executive Budget Summary, ITS plans to upgrade all Voice over IP to the newest release code by implementing a new maintenance agreement. Further, converting the city of Detroit from CENTREX to a Voice over IP environment will save the City more than \$2 million annually, according to the plan.

- When and how exactly will the savings be realized?

Page D73 of the Executive Budget Summary

ITS will work with the Budget Department to implement an improved process for telecommunication payments that will reduce the bottom line cost for all product and services.

- What is the anticipated level of savings and when will this process be fully implemented?

ITS will implement a unified platform across all City of Detroit agencies and implement a citywide fiber optic network that will interconnect all major buildings

- What is the projected cost to implement this objective and what is its anticipated impact on City operations?

Pg. 31-5: Computer Operations Measures and Targets:

The Mayor's FY 2007-08 Budget for ITS calls for an overall increase of \$2.64 million (12.89%). Despite this fact, none of the targets for 2007-08 change from the 2006-07 projections. Why?

The Mailroom and Delivery Section and 8 positions, transfer to the General Services Department.

The ITS overtime budget for the current fiscal year is \$346,126. Through March 31, 2007, the department has spent \$334,738 (96.7%) of its current overtime budget.

There are currently 13 vacancies in **Central Data Processing**.

- What are the department's plans in regard to filling these 13 vacant positions?
- What would be the impact on the department of not filling these positions?

The following is a historical view of the Information Technology Services Department's budget:

<u>Fiscal Year</u>	<u>Budget Amount</u>	<u>Growth Percentage</u>
1995-96	\$18.5 million	
1996-97	\$23.3 million	25.9%
1997-98	\$31.9 million	36.9%
1998-99	\$40.1 million	25.7%
1999-00	\$47.6 million	18.7%
2000-01	\$40.2 million	(15.5%) decrease
2001-02	\$47.3 million	17.7% increase
2002-03	\$39.8 million	(15.9%) decrease
2003-04	\$35.3 million	(11.4%) decrease
2004-05	\$29.2 million	(17.3%) decrease
2005-06	\$23.9 million	(18%) decrease
2006-07	\$21.2 million	(12%) decrease
2007-08 (proposed)	\$23.1 million	12% increase

Please provide a more detailed explanation of the 2006-07 surplus/deficit estimate. Specifically, what is the breakdown of the \$1.2 million appropriation surplus in terms of vacancies and contractual services? What is causing the \$500,000 revenue shortfall?

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